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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

23 September 1955

STAFF MEMORANDUM NO. 64-55

SUBJECT: THE OUTLOOK IN IRAN*

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1. The situation in Iran still conforms rather closely to the analysis contained in NIE 34-54 (December 1954) and will probably continue to do so for some time to come. There has been the expected revival of the political bickering, indecision, and general floundering around which contributed so much to the decline of governmental effectiveness and prestige in the pre-Mossadeq era. Progress toward getting the development program under way had been slowed by personal and political feuding. The Bahai issue has marked the reemergence of reactionary religious pressures and emotions as an unsettling influence in the country. Ultrationalist and reformist sentiments remain alive under the surface. Nevertheless, the situation, at least by Iranian standards, continues to be remarkably calm. Although the Shah's prestige and effectiveness may have suffered to some extent from his rather inefficient efforts to rule rather than reign, his ultimate

* The substance of this memorandum has been discussed with Iranian specialists in O/CI, DD/P, G-2, and G-3.

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authority remains unquestioned. The economic situation has been generally satisfactory, although some increase in the cost of living has continued. Oil revenues, amounting to about \$80 million in the first eight months of operations, are running on schedule.

2. This state of affairs gives little ground for complacency about Iran's future and in fact reemphasizes the need for strong and continuing Western pressures on Iranian leaders to make them put their house in order. Despite the surface calm, Iran remains a basically unstable country in which underlying tensions might flare up fairly rapidly if propitious circumstances arose. And unless the ruling group takes advantage of its present opportunities to lay the groundwork for more lasting political, economic, and social stability, revolutionary pressures are likely to increase.

25X1X7 3. Nevertheless, we see little ground for alarm of the sort expressed to US officials in Tehran and Washington regarding the need for a strengthening of the Iranian government. There is no immediate threat to the government's authority and none now appears to be in the offing. None of the potentially disruptive forces in the country--Tudeh, the ultra-nationalist element, the tribes, the mullahs--are now capable of provoking a serious crisis. The danger is rather that a continuation of the present drift might give rise to opportunities which they might exploit.

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4. Of greater immediate importance than the internal stability problem as such is that of Iran's relationship to the US and US-backed regional defense plans. In NIE 34-54 we estimated that the Shah, despite his active interest in regional defense, would probably not adhere to the "northern tier" grouping until he was confident that such a move would not encounter serious internal opposition and until the Iranian armed forces had been substantially strengthened. During the spring and summer of this year there were numerous signs that he was acting to prepare Iranian public opinion for such a move, and in the recent Iranian-suggested military talks at Baghdad between Iran, Iraq, Turkey, and Pakistan 25X1X7 he gave strong proof that he regarded Iranian participation as essential to effective defense of the area. However, faced with renewed Soviet counterpressures and with continuing US unwillingness to give him either a formal security commitment or firm assurances regarding support of an Iranian military build-up, the Shah is now backing away from the idea of early adherence to the "northern tier" grouping. For a variety of military, political, and financial reasons, the US has in effect gambled on securing Iran's adherence to the "northern tier" grouping without a specific quid pro quo. That gamble appears increasingly to be a losing proposition.

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5. It is still possible that the Shah may decide to join the "northern tier" grouping, particularly since efforts are now being made as a result of recent OCB discussions to make available some additional interim military aid pending an expected determination some time next year of the extent to which it is desirable and feasible to underwrite a significant Iranian military build-up. However, the US has decided not to press for Iranian adherence to the "northern tier" grouping at this time. Thus the move to increase interim military aid appears to be mainly a holding operation, designed to minimize the latent dangers that the Shah's disappointment over his failure to obtain prompt US support for his military plans might lead to a permanent cooling-off of the Shah's interest in Western-backed defense alliances, to lessened Iranian responsiveness to US advice, and to a decline in the Shah's morale and prestige which might reduce his effectiveness in maintaining internal stability.

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